

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

L-03 H-02 PA-03 PRS-01 USIA-12 AGR-20 RSR-01 /176 W
----- 067887

R 151633 Z MAY 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1190

INFO USMISSION OECD PARIS

USMISSION EC BRUSSELS

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PASS TREASURY, FRB.

E. O. 11652: N/ A

TAGS: EFIN, UK

SUBJECT: P. M. HEATH ON INTERNATIONAL MONETARY AND
TRADE REFORM

FOLLOWING IS EXCERPT FROM SPEECH MADE BY P. M. HEATH
IN LONDON ON MARCH 14 BEFORE ANNUAL GENERAL
MEETING OF CHASE MANHATTAN BANK:

QUOTE: THE PRESIDENT OF THE UNITED STATES HAS
DECLARED THAT FOR HIS ADMINISTRATION THIS IS THE YEAR
OF EUROPE, AND HAS MADE CLEAR HIS DESIRE TO REVIEW
WE IN EUROPE WELCOME THIS INITIATIVE. WE LOOK
FORWARD TO RETHINKING, WITH THE UNITED STATES AND WITH
CANADA, THE EVOLUTION OF THE ATLANTIC ALLIANCE, WHICH
IS AND WILL REMAIN THE CORNERSTONE OF THE FREE WORLD.
BUT, FOR THE MEMBERS OF THE EUROPEAN COMMUNITY, IT
IS NO LONGER JUST A MATTER OF THE RELATIONSHIP OF EACH
ONE OF US TO THE UNITED STATES. IT IS NOW A MATTER
OF THE RELATIONSHIP BETWEEN THE COMMUNITY AND THE
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UNITED STATES. THAT IS WHAT MEMBERSHIP OF THE COMMUNITY IS ABOUT. WE HAVE TO LEARN - AND WE ARE LEARNING - TO THINK AND ACT TOGETHER, AS ONE.

LET ME ILLUSTRATE THIS FROM TWO FIELDS IN WHICH THE RELATIONSHIP BETWEEN THE UNITED STATES AND EUROPE IS NOW BEING RECONSIDERED - THE FIELDS OF MONEY AND OF TRADE. THE INTERNATIONAL MONETARY SYSTEM CREATED BY THE BRETTON WOODS AGREEMENTS, WHICH SERVED THE WORLD WELL FOR TWENTY FIVE YEARS, DEPENDED UPON THE CONVERTIBLE DOLLAR AS THE PRINCIPAL INTERNATIONAL RESERVE ASSET AND WHAT IT IS NOW FASHIONABLE TO CALL NUMERAIRE. IN THE EARLY DAYS, WHEN THE BALANCE OF PAYMENTS OF THE UNITED STATES WAS IN SEEMINGLY PERMANENT SURPLUS, AND THE DOLLAR WAS A SCARCE CURRENCY, INTERNATIONAL LIQUIDITY WAS SUSTAINED LARGELY BY THE MASSIVE AND MEMORABLE GENEROSITY OF THE AMERICAN PEOPLE IN SUCH PROGRAMMES AS MARSHALL AID AND THE EUROPEAN RECOVERY PROGRAMME. TODAY THE SITUATION IS VERY DIFFERENT. THE DOLLAR IS NO LONGER CONVERTIBLE, AND IS BY NO MEANS A SCARCE CURRENCY. THE BURDEN OF MAINTAINING AN INTERNATIONAL RESERVE CURRENCY, SO LONG SUSTAINED BY THE UNITED STATES AND, TO A DIMINISHING EXTENT, BY BRITAIN, IS NOW HAVING TO BE CARRIED WILLY NILLY BY OTHER SHOULDERS AS WELL, NOT LEAST BY OUR PARTNERS IN GERMANY. WE HAVE TO DEVELOP A NEW SYSTEM - OR REFORM THE EXISTING SYSTEM - SO THAT IN FUTURE WE HAVE A SYSTEM WHICH CAN MAINTAIN THE FLOW AND FREEDOM OF INTERNATIONAL TRADE WITHOUT CASTING UNACCEPTABLE BURDENS ON PARTICULAR COUNTRIES, AND WITHOUT BEING SUBJECT TO THE CRISES OF SPECULATION AKITH WHICH WE HAVE BECOME TOO FAMILIAR.

IN WORKING OUT THIS REFORM THE COUNTRIES OF THE EUROPEAN COMMUNITY ARE WORKING CLOSELY WITH THE UNITED STATES AND WITH OTHERS IN THE I. M. F. AND THE ASSOCIATED INTERNATIONAL BODIES. BUT THE COMMUNITY IS COMMITTED TO A PROGRAME OF ECONOMIC AND MONETARY UNION. A EUROPEAN MONETARY UNION WOULD OBVIOUSLY BE A MAJOR ELEMENT IN ANY INTERNATIONAL MONETARY SYSTEM. AS THE COMMUNITY'S PROGRAMME DEVELOPS,

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THEREFORE, THE COMMUNITY COUNTRIES WILL NECESSARILY BE WORKING TOWARDS A COMMON POSITION IN THE IMF DISCUSSIONS ON INTERNATIONAL MONETARY REFORM.

THE REFORM OF THE INTERNATIONAL MONETARY SYSTEM IS IN MY VIEW THE MOST URGENT TASK WE HAVE TO COMPLETE. A NEW ROUND OF MULTILATERAL TRADE NEG

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OF THIS YEAR.

I SAID A MOMENT AGO THAT THE COUNTRIES OF THE
COMMUNITY HAD TO LEARN TO THINK AND ACT TOGETHER.
OF COURSE, THAT TAKES TIME; IT DOES NOT ALL HAPPEN
AT ONCE. BUT THE PRESSURES OF EVENTS ARE DRIVING US
FAST IN THIS DIRECTION.

THE SUMMIT PROGRAMME FOR DEVELOPMENTS INSIDE THE
COMMUNITY, THE NEED TO WORK OUT COMMON POSITIONS ON
INTERNATIONAL MONETARY REFORM AND ON TRADE, AND THE
NEED TO TAKE ACCOUNT OF THE DEVELOPMENT OF THE
COMMUNITY IN PURSUING PRESIDENT NIXON'S INITIATIVE
FOR THE RENEWAL OF THE ATLANTIC ALLIANCE; IN THE FACE
OF THESE PRESSURES, WE CAN EXPECT TO SEE A SENSE OF
EUROPEAN IDENTITY AND PERSONALITY IN WORLD AFFAIRS
DEVELOPING WITH SURPRISING SPEED. I WELCOME THIS.
I DO NOT BELIEVE THAT TIME IS ON OUR SIDE.

I LOOK TO SEE THE UNITED STATES AND THE EUROPEAN
COMMUNITY AS THE TWIN PILLARS OF A REVIVIFIED AND
REINVIGORATED ATLANTIC ALLIANCE.

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AND I AM CONVINCED THAT THIS IS NOW URGENT, IF WE

ARE TO BE ABLE TO MAINTAIN OUR OWN SECURITY AND WORLD
PEACE. END QUOTE.

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